

## Natural Resource and Environmental Programs Undergo Historic Changes

*Regulatory reform, spending cuts, fee increases, program termination, and personnel reductions characterized the budget process for Federal natural resource and environmental programs for fiscal year 1996.*

Natural resource and environmental programs are particularly important both to rural communities that depend on natural resource-based industries for employment and income and to people in urban areas who look to rural areas as a source of recreation and as a retirement destination. The Federal Government administers laws and provides funding for a broad range of programs pertaining to natural resources and the environment. Among the most important programs are soil conservation and forest management programs at USDA; fisheries and coastal zone management programs at Commerce; minerals management, water reclamation, wildlife restoration, and park maintenance at Interior; air, water, and land pollution abatement, control, and compliance at the Environmental Protection Agency; ordinance disposal at the Department of Defense; nuclear waste cleanup at Energy; and lead poisoning prevention at Health and Human Services.

Budget authority for natural resource and environmental programs is estimated at \$20.7 billion for fiscal year 1996, a 2-percent decline from the previous year. Pollution control and abatement account for nearly a third of this total, followed by resource conservation and land management programs, with almost a quarter of the total (fig. 1).

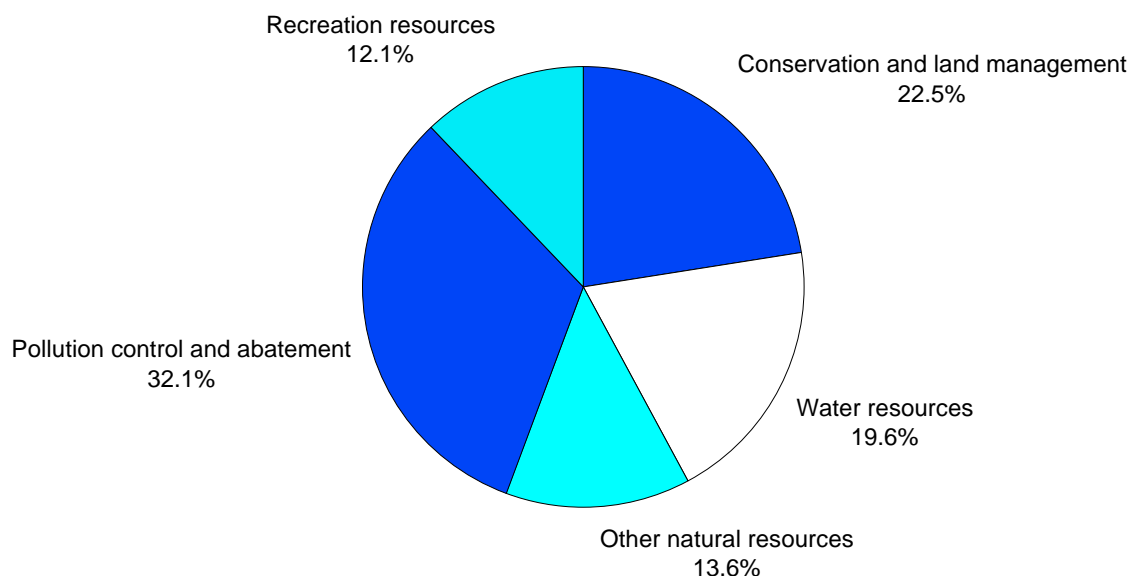
During 1995, the administration and Congress proposed many reforms of natural resource and environmental programs along with the agencies that administer them. (Some of these are discussed in the regulatory section of this issue.) Expiration of funding authorization for a number of key natural resource and environmental programs created hardships in some places. With pressure to reduce the Federal deficit, there have been proposals to raise revenues by charging higher fees or creating new fees for grazing on public lands, using national parks and extracting minerals from Federal lands.

The budget impasse between Congress and the President shut down most of Interior and other natural resource agencies for 6 days beginning November 14, 1995, and for 21 days beginning December 16, 1995. This closed nearly all of the national parks, monu-

Figure 1

### Federal budget authority, natural resources and environment, fiscal year 1996

Pollution control and abatement account for one-third of the total budget of \$20.7 billion



Source: Budget of the United States Government, Fiscal Year 1997, Historical Tables, Table 5.1, March 18, 1996, p.

ments, wildlife refuges, national forests, and other sites managed by the Federal Government. Business activity dropped sharply during the shutdowns for private companies and individuals, including food and lodging providers, tour operators, importers of pesticides, recreational equipment suppliers, gift shop owners, and others adjacent to Federal facilities. The lost business activity was particularly injurious in the South where warmer climates attract more winter visitors.

The President vetoed the appropriations bills for both Interior and the Environmental Protection Agency in mid-December 1995 because of the reduced funding levels sought by Congress. Consequently, these agencies operated until late April 1996 at reduced funding levels set by a series of stopgap spending bills (continuing resolutions). These reductions had a number of consequences for Federal personnel and programs, including early retirements, hiring freezes, threats of layoffs, curbs on environmental enforcement, delayed Government reports, slower payments to States and Indian tribes, moratoriums on listing of endangered species, and the closing of some research centers.

On April 26, 1996, the day after Congressional approval, President Clinton signed the omnibus fiscal year 1996 appropriations bill (P.L. 104-134) which provided funding for the remainder of the fiscal year for those agencies operating on temporary spending bills. The bill terminated the National Biological Service and the Bureau of Mines at Interior, although some of their functions were transferred to other agencies. Funding for natural resource programs at Interior were reduced nearly 4 percent on average from fiscal year 1995 levels.

### **Natural Resource Programs Adjust to New Budget Realities**

**Agricultural resources conservation funds rise 3 percent.** Most Federal agricultural soil and water conservation funding comes from USDA's Conservation Reserve Program (CRP), which pays farmers to remove environmentally sensitive land from production. (CRP is discussed in the agriculture section of this issue). Other USDA programs include watershed protection, flood prevention, and wetlands protection and restoration on private lands. The Natural Resources Conservation Service (NRCS) administers these programs through a nationwide network of conservation specialists who work through some 3,000 locally organized and locally run conservation districts to help individual land users and rural and urban communities. Total appropriations for the NRCS increased 3 percent in fiscal year 1996 to \$859 million. However, the Resource Conservation and Development Program, which provides local coordination of resource programs, decreased 12 percent to \$29 million in fiscal year 1996. With the passage of the Federal Agriculture Improvement and Reform Act of 1996, NRCS was designated the lead agency in administering the Environmental Quality Incentives Program (EQIP), a new program which combines the functions of the Agricultural Conservation Program, Water Quality Incentives Program, Great Plains Conservation Program, and the Colorado River Basin Salinity Control Program. EQIP is funded at \$130 million in fiscal year 1996 and \$200 million annually thereafter.

**Forestry programs challenged.** USDA's Forest Service manages 191 million acres of public land (the National Forest System) in 44 States, Puerto Rico, and the Virgin Islands for sustained production of timber, forage, minerals, fish, wildlife, water, wilderness, and outdoor recreation. Alaska contains more national forest land than any other State, with around 22 million acres, followed closely by California and Idaho, each with around 21 million acres. The Forest Service also provides financial and technical assistance to protect private forest lands and natural resource-dependent rural communities, particularly those located in or near national forests that have become economically stressed due to public land management practices or policies. In addition, the Agency's Forest and Rangeland Research organization carries out research projects that help integrate social, economic, and biological factors to ensure sustainability of natural resources while meeting people's needs, including the needs of rural communities. To carry out the incremental costs of the Northwest Forest Plan, the Forest Service provided \$96 million in funding in fiscal year 1996 for those areas within the range of the northern spotted owl, a \$1-mil-

lion increase over the previous year's level. Of this amount, \$29.5 million was allocated for technical and economic assistance to communities affected by reduced Federal timber supplies.

Total spending for the Forest Service for fiscal year 1996 was set at \$3.36 billion, about 8 percent above fiscal year 1995 spending levels. Increased funding for disaster and emergency programs offset significant cuts in other Forest Service activities (8 percent on average) including forest research, State and private forestry, the National Forest System, and land acquisition. While Forest Service programs are administered by the USDA, the budget for these programs is set along with Interior appropriations. As a result, the Forest Service was forced to shut down all nonessential operations from December 18, 1995, to January 6, 1996, during the budget impasse over funding for Interior and related agencies. Major forest issues that prolonged the budget debate included timber harvesting in Alaska's Tongass National Forest, the Columbia River Basin Assessment, and environmental issues related to the salvage provision in the 1995 Rescissions Act (for example, nesting of the Marbled Murrelet).

**Fish and wildlife funds cut 3 percent; National Biological Service terminated.**

Interior's Fish and Wildlife Service manages 505 national wildlife refuges, 72 fish hatcheries, and 32 wetland management districts, with waterfowl production areas in 180 counties, encompassing more than 92 million acres (87 percent in Alaska, 3 percent in Nevada). Because of the budget impasse between Congress and the President, the Fish and Wildlife Service operated at reduced funding for much of fiscal year 1996. Final appropriations were approved on April 26, 1996 at \$654 million, nearly 3 percent below fiscal year 1995 appropriations.

Resource management accounts for about three-fourths of spending and includes habitat management and maintenance in the wildlife refuge system, public use and recreational programs, the fish hatchery system, and other programs such as the endangered species program. Land acquisition projects, which protect endangered species and habitat on refuges, and the Cooperative Endangered Species Fund, which protects species from economic development pressures, also faced funding cuts in fiscal year 1996.

The National Biological Service, an Interior Department agency established in 1993 to provide scientific information and technologies to support conservation of the Nation's biological resources, was terminated in 1996 with some of its functions transferred to the U.S. Geological Survey. The National Biological Service had a budget of \$162 million in fiscal year 1995.

**Mining and minerals programs consolidated.** Interior's mining and minerals programs enforce safety and environmental regulations; assure reclamation of old mines; research mine safety and pollution; manage the Nation's energy and mineral resources; collect revenues from mineral leases on Federal and Indian lands; and disseminate information about mining, processing, and mineral commodities.

Budget authority for mining and minerals programs for fiscal year 1996 dropped 16 percent to \$591 million. The Bureau of Mines has shut down (about 1,200 layoffs) with some of its programs transferred to the Geological Survey and to the Department of Energy. Of particular note to rural areas is a moratorium through the end of fiscal year 1996 on land patents under the 1872 General Mining Law and the elimination of the rural abandoned mine reclamation program which was funded at \$7.9 million in fiscal year 1995.

**Water resource programs shift away from big dam construction.** These programs develop, manage, and protect water and associated resources that benefit agricultural, municipal, industrial, and domestic users through flood control, recreation, and fish and wildlife projects. The Army Corps of Engineers, which is responsible for many of the Nation's projects on flood control, navigation, and shore protection, accounts for about 75 percent of Federal outlays for water resource programs with most of the remainder divided between Interior (20 percent) and USDA (2 percent).

Water resource programs initially received \$4.11 billion in budget authority for fiscal year 1996, about 3 percent less than 1995 spending levels. However supplemental appropriations during the year to deal with floods raised the total to \$4.36 billion, or nearly 3 percent over 1995 appropriations. In recent years, there has been a shift away from large dam projects toward smaller construction projects and water resource management (conservation, reclamation, environmental protection, and restoration). The Army Corps of Engineers received a net increase of nearly 1 percent after an initial cut of 4 percent in fiscal year 1996 as a result of a \$165-million emergency supplemental appropriations for flood control. The Interior Department's Bureau of Reclamation, which supplies water to 28 million people in 17 Western States, received 2 percent less funds in fiscal 1996, mostly due to cuts in construction spending. Water resource projects administered by USDA's Natural Resources Conservation Service received \$114 million in funding for fiscal year 1996, a 22-percent increase from fiscal 1995 funding but nearly \$83 million below 1994's level. This does not include the \$81-million natural disaster supplement appropriation in 1996 for emergency measures in watersheds for protection against flooding, erosion, or sedimentation damage. Efforts in watershed surveys and planning were cut by more than half to \$14 million for fiscal year 1996 and \$12.4 million for 1997.

**Protests over parks shutdown helps restore some funding.** Interior's National Park Service (NPS) manages 369 parks, comprising 76.6 million acres in 49 States, the District of Columbia, and U.S. territories. Alaska accounts for the bulk of land managed by the NPS with about 68 percent of the total, followed by California with about 6 percent. NPS sites received 273 million visits in fiscal year 1995 and 279 million visits are expected in 1996.

Like the other Interior agencies, NPS operated under a continuing resolution through much of fiscal year 1996 because of the budget impasse between Congress and the President. Total funding for fiscal year 1996 was finally set at \$1.36 billion, down 1.7 percent. However, strong public protest over the closing of the National Parks for 27 days between November 14, 1995, and January 6, 1996, resulted in Congress providing a small increase in funding for visitor services for the remainder of the year (0.5 percent over fiscal year 1995).

### **Federal Grants to State and Local Governments Stagnate**

Federal grants to State and local governments for natural resource and environmental programs are estimated at \$4.0 billion in fiscal year 1996, 3 percent less than in fiscal year 1995. About 70 percent of these grants are from the Environmental Protection Agency, 20 percent from Interior, and 8 percent from USDA (excluding the Conservation Reserve Program). Federal grants for natural resource and environmental programs rose sharply throughout the 1970's and peaked at \$5.4 billion in 1980 (fig. 2). Since then, grants have declined 25 percent in current dollars and 58 percent in constant fiscal year 1987 dollars. Most of the decline occurred in water infrastructure outlays provided by the Environmental Protection Agency, reflecting the completing of some construction projects and an increased reliance on loan revolving funds. During this same period, grants by USDA (mainly watershed, flood prevention, and forestry programs) rose sharply while grants by Interior (mainly fish, wildlife, mines, and minerals programs) increased moderately in nominal terms but declined slightly in 1987 dollars.

Of the \$1.16 billion transferred to States for natural resource programs in fiscal year 1994, fish and wildlife conservation accounted for over 30 percent of the total followed by mining with nearly 20 percent, agricultural resource conservation and water resources each with about 16 percent, forestry with about 8 percent, and parks and recreation with about 3 percent (fig. 3). The top three States receiving Federal grants for natural resource programs were:

- Total grants basis: West Virginia (\$87.5 million), California (\$71.7 million), and Texas (\$55.7 million);

Figure 2

# **Federal outlays for grants to State and local governments, natural resources and environment programs**

*These programs were down 58 percent in constant dollars since 1980 and from 6 to 2 percent as a share of total Federal grants*

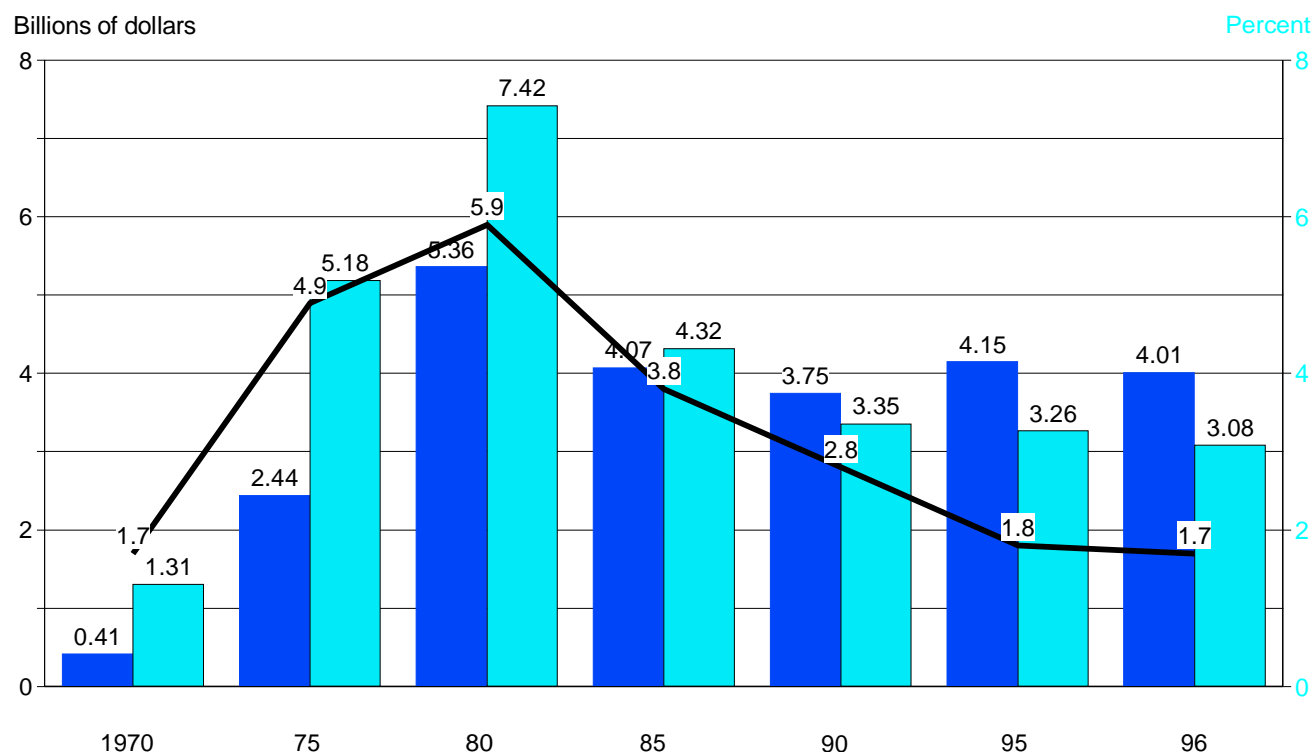
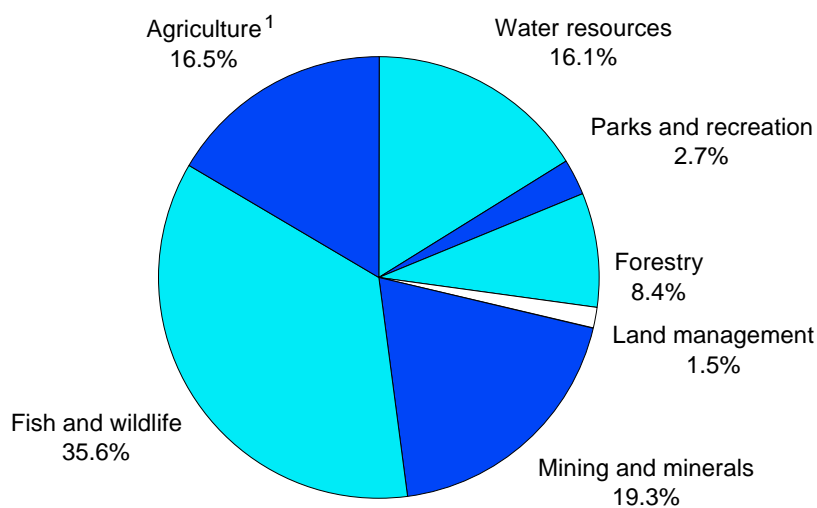


Figure 3

# **Federal outlays for grants to State and local governments, natural resources programs, fiscal year 1994**

*Fish and wildlife programs account for 36 percent of total grants of \$1.16 billion*



<sup>1</sup> Excludes funds for the Conservation Reserve Program.  
Source: U.S. Census, Federal Funds database, fiscal 1994.

- Per capita basis: Wyoming (\$70.50), North Dakota (\$49.65), and West Virginia (\$48.00);
- Per acre basis: West Virginia (\$5.67), Rhode Island (\$5.11), Delaware (\$2.86).

The Mountain and Plains States tended to have the largest per capita grants for natural resources programs along with West Virginia and Alaska, while the lowest tended to be on the eastern seaboard and in California (fig. 4).

Federal grants were concentrated in fish/wildlife, water, and recreational programs for all but nine States. For these States, forest, mining, and public land management programs dominated, especially for Kentucky, Wyoming, Pennsylvania, Virginia, and West Virginia. Grants for agricultural conservation programs (excluding the CRP) were an important source of funds for Nebraska, Maine, Missouri, Texas, and Kansas. [Walter H. Gardiner, 202-219-0545, [gardiner@econ.ag.gov](mailto:gardiner@econ.ag.gov)]

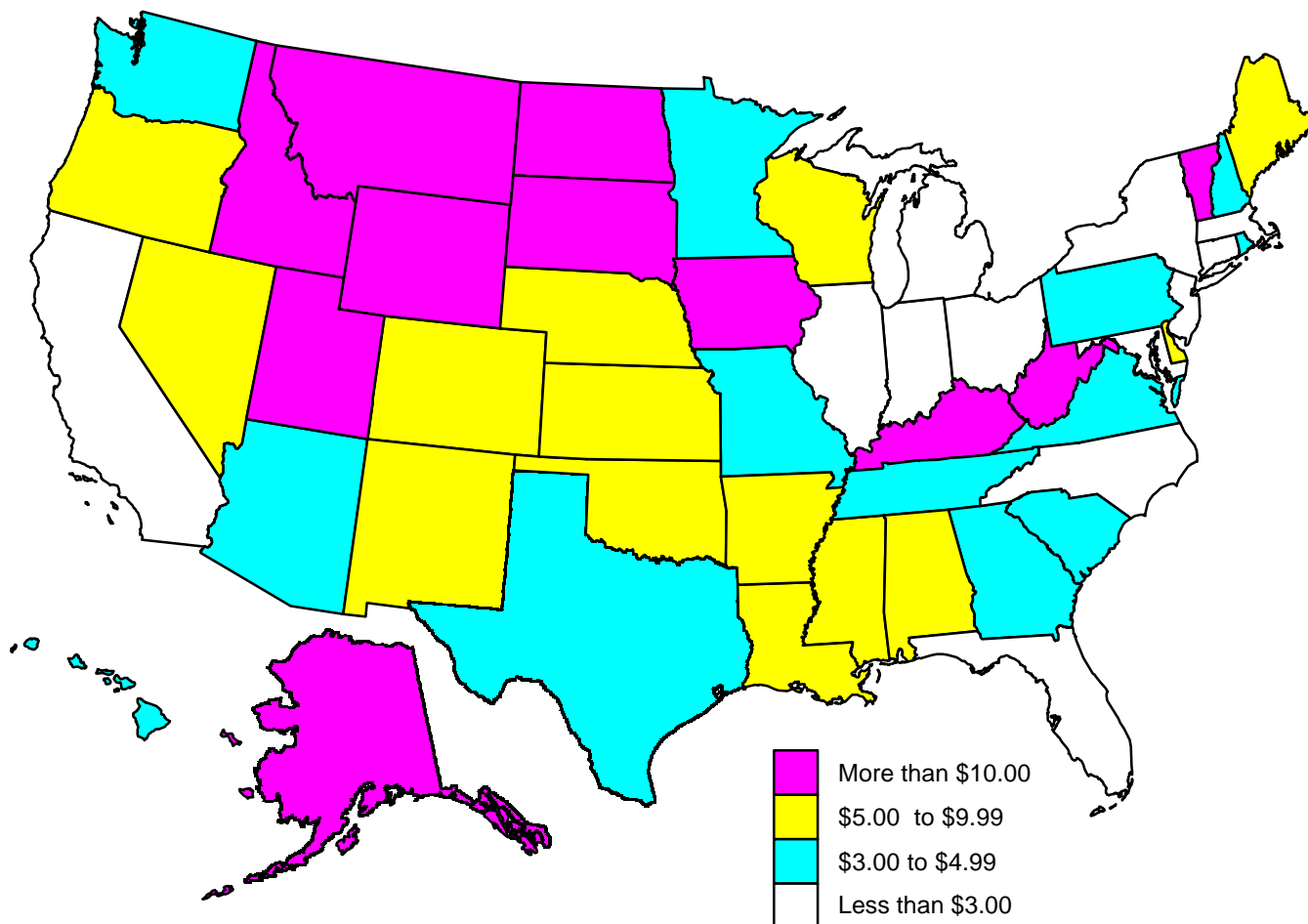
### Environmental Protection Agency Survives Large Proposed Cuts

Most of the major environmental programs are within the Environmental Protection Agency (EPA). EPA programs include operating programs (such as air, water, and hazardous wastes), Water Infrastructure, Superfund, and the Leaking Underground Storage

Figure 4

### Federal grants to States for natural resource programs, dollars per capita, fiscal year 1994

*Largest per capita grants are concentrated in North Central and Mountain regions*



Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

Tank Trust Fund. EPA's fiscal year 1996 budget authority is \$6.5 billion, down \$706 million (10 percent) from fiscal year 1995 estimates. Cutbacks were led by reduced funding for Water Infrastructure and the Superfund while operating programs received a slight increase in funds. Operating programs constitute 46 percent of EPA's 1996 budget, followed by Water Infrastructure (33 percent), Superfund (20 percent), and the Leaking Underground Storage Tank Trust Fund (1 percent) (fig. 5). Except for shutdowns during temporary funding gaps, EPA operated through April 1996 under continuing resolutions in the absence of an approved appropriations bill. This led to delays in funding EPA's Superfund cleanup activities and pollution inspections and also delayed transfers of funds to States for safe drinking water programs.

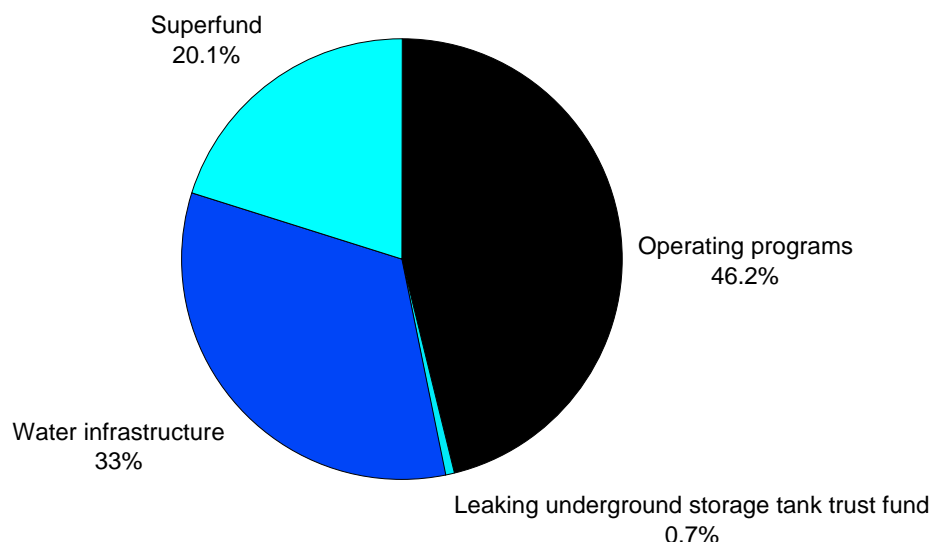
**Air and water programs major focus of operating programs funding.** A large part of EPA's funding is channeled through the water infrastructure programs (discussed in the infrastructure section of this issue) and dedicated to maintaining a clean, safe water supply. Other water programs include the Water Quality Program and the Drinking Water Program. The Water Quality Program has evolved from focusing on source problems of discharges from industrial and municipal facilities to a wider scope that includes nonpoint-source pollution problems such as wet weather runoff from farms, streets, lawns, and construction sites. The water quality operating program was trimmed \$23.1 million (4.4 percent) to \$499.3 million. The Drinking Water Program ensures that public water supplies are free of contamination that may pose unacceptable human health risks, and protects ground water resources. The Drinking Water Program was expanded \$12.5 million (7.5 percent) to \$178.1 million. EPA's air programs, responsible for implementing the Clean Air Act, were cut \$28 million (5 percent) to \$536.5 million. Multimedia funding was boosted \$13.9 million (3 percent) to \$456.8 million. Management and support was bolstered \$49.1 million (7 percent) to \$715.9 million, including over \$100 million for EPA's buildings and facilities account.

**Superfund and underground storage tank funds take cuts.** The Hazardous Substance Response Trust Fund, known as the Superfund, pays for the cleanup of haz-

Figure 5

### Environmental Protection Agency funding set at \$6.5 billion for fiscal year 1996

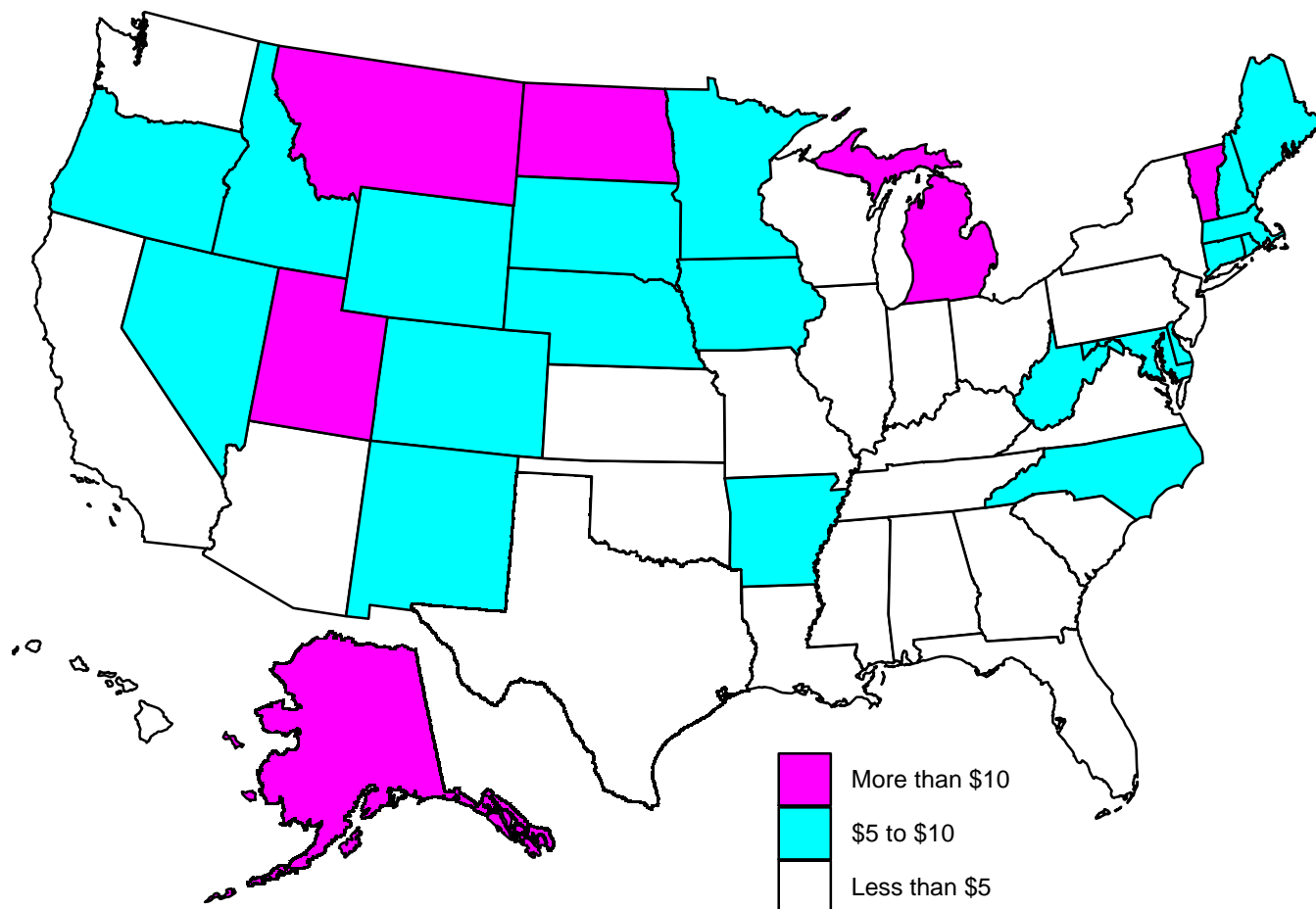
Operating programs account for 46 percent of total



Source: Environmental Protection Agency, summary table of agency resources, July 1996

EPA's Leaking Underground Storage Tank program helps States oversee the large number of active cleanups of leaking underground storage tanks containing petroleum. This program was cut to \$45.8 million, down 35 percent from fiscal year 1995.

### Environmental protection per capita, fiscal year 1994





multiple environmental grants with consolidated grants. The Water Quality Program for State, local, and tribal grants is funded at \$214.9 million, down 1 percent from fiscal year 1995. The lower funding includes a reduction in water quality research. However, several grants in the water quality media are eligible to be consolidated with other grants into performance partnership grants, which States and tribes are encouraged to request. Drinking water funds available for State, local, and tribal grants were increased to \$82.2 million, up 3 percent from fiscal year 1995.

EPA's air grant programs to implement the Clean Air Act and reduce greenhouse gas emissions were cut almost 4 percent to \$173.6 million in fiscal year 1996. However, States will now be able to collect operating permit fees from major stationary sources of air pollution to fund some previous grant-funded programs. The Hazardous Waste program, which was increased almost 1 percent to \$106.7 million, addresses prevention, management, and disposal of hazardous and municipal solid wastes. Multimedia programs (pollution prevention, pesticides enforcement, toxic substances enforcement, and general assistance to tribes) was increased \$9 million (25 percent) to \$44.9 million.

More than half of EPA's total budget is transferred directly to State, local, or tribal governments, and other partners. States with relatively high per capita funding tend to be low-population States. In fiscal year 1994, four of the seven States receiving per capita funding over \$10 (Vermont, North Dakota, Alaska, and Montana) had populations below 1 million and were classified as rural and small town States. Michigan, Utah, and the District of Columbia also received more than \$10 per capita (fig. 6). [*Cecil W. Davison, 202-501-6716, cdavison@econ.ag.gov*]